

November 30, 2011

Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, D. C. 20006

Dear Board Members,

**Comments on Docket 037 “Concept Release on Auditor Independence and Audit firm Rotation”**

We are a group of Japanese companies<sup>1</sup> that is mainly comprised of companies that prepare consolidated financial statements under the accounting principles generally accepted in the United States. We appreciate your efforts on the project of auditor independence and audit firm rotation. The following comments are those on the docket matter 037 “*Concept Release on Auditor Independence and Audit firm Rotation*”.

Comments

We totally oppose the mandatory audit firm rotation because there would be many disadvantages and few advantages in cost–benefit considerations, with the following reasons:

1. There is a risk of quality deterioration in audit by the mandatory auditor rotation, because it is difficult for successor auditors to have necessary knowledge and experience in a limited audit period.
2. The successor auditors would need lots of time to learn knowledge and experience their predecessor had, so there is a concern that the deterioration of audit quality continues for long time.
3. Much additional works would occur for audit firm rotation and it substantially increase the cost of auditors and clients. In particular, for major companies with many subsidiaries, they might bear considerable efforts and expenses to change their auditors including their subsidiaries.

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<sup>1</sup> The names of companies represented are noted at the bottom of this letter.

4. Additionally, there is a possibility that the audited companies cannot continue the non-auditing service contracts with auditing firms, if the auditing firms take over the auditors' position newly. It would bring much inconvenience for the operation of the companies. Their shareholders and investors' profits would be also impaired.
5. Under the present oligopoly situation that only a small number of big firms have ability to audit large-scale and international companies, the mandatory rotation would not work practically.
6. Many auditors may be forced to show advantageous terms to the potential client companies, to get new audit contracts on the mandatory rotation. It could be a risk to deteriorate audit quality and could be a negative factor in auditors' independence and objectivity.
7. In the end-stage of audit term, auditors would be excessively conservative to avoid accusations by successor auditors. That prevents auditing service from keeping sufficient quality and efficiency.
8. The independence and objectivity of the auditors have been able to be enough retained by the periodical change of partners in charge inside the firms, and by the Sarbanes-Oxley Act now, without the rotation of auditing firms.

We hope that our comments contribute to your forthcoming deliberations in this project.

Sincerely yours,

**A Group of Japanese Companies:**

CANON INC.

FUJIFILM Holdings Corporation

Hitachi, Ltd.

KONAMI CORPORATION

KUBOTA CORPORATION

KYOCERA Corporation

MAKITA CORPORATION

Mitsubishi Corporation

Mitsubishi Electric Corporation

Mizuho Financial Group, Inc.

Murata Manufacturing Co., Ltd.

NIDEC CORPORATION

Nippon Meat Packers, Inc.

Nomura Holdings, Inc.

ORIX CORPORATION

Panasonic Corporation

Ricoh Company, Ltd.

SANYO Electric Co., Ltd.

Sumitomo Corporation

Toshiba Corporation

Wacoal Holdings Corp.